

Fee Waiver Analysis



March 3, 2016

Submitted by Staff to Finance Committee

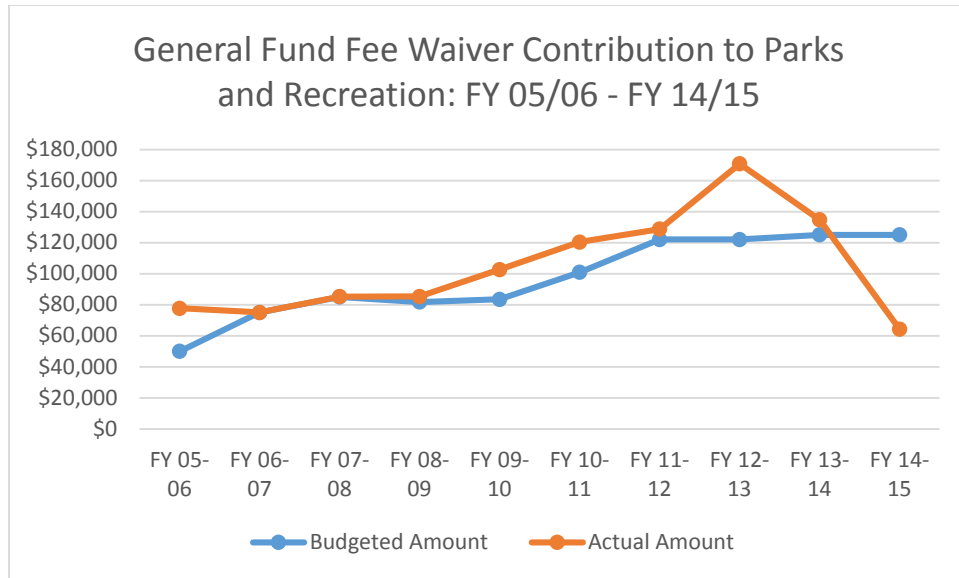
I. BACKGROUND

Due to a staffing transition in Human Services, beginning with FY 13/14, the Town Manager's Office began providing oversight and general administration to the Fee Waiver Program. The day-to-day management of the Program was reassigned from Human Services to Parks and Recreation at that same time.

During FY 13/14 the Town Council established an ad hoc committee to review the Fee Waiver Program. Prior to FY 13/14, the Fee Waiver Program consistently exceeded budget and faced escalating costs that significantly out-paced inflation. Expenses peaked in FY 12/13, at \$170,725, \$48,705 over budget, and an increase of 32.7% in program expenses over the prior year.

Fee Waiver Amounts: Budget v. Actual 2005-2015 ¹				
Year	Budgeted Amount	Actual Amount	Difference Budget v. Actual	% Increase/ Decrease
FY 05/06	\$50,000	\$77,649	-\$27,649	--
FY 06/07	\$75,000	\$75,000	\$0	-3.4%
FY 07/08	\$85,000	\$85,254	-\$254	13.7%
FY 08/09	\$81,660	\$85,260	-\$3,600	0.0%
FY 09/10	\$83,500	\$102,650	-\$19,150	20.4%
FY 10/11	\$100,910	\$120,317	-\$19,407	17.2%
FY 11/12	\$122,020	\$128,683	-\$6,663	7.0%
FY 12/13	\$122,020	\$170,725	-\$48,705	32.7%
FY 13/14	\$125,000	\$134,646	-\$9,646	-21.1%
FY 14/15	\$125,000	\$64,197	\$60,803	-52.3%
AVERAGE	\$97,011	\$104,438	-\$7,427	1.6%
MEDIAN	\$92,955	\$93,955	-\$8,154	7.0%

¹ Source for charts: Town of Mansfield General Ledger



In April 2014 the Town Council amended the Fee Waiver Ordinance. The Council defined the purpose of the Fee Waiver Program to provide access to municipal services for residents of all ages with very low and extremely low incomes. Significant changes to the Ordinance are:

- Limits eligibility of the Fee Waiver Program to residents who reside in Mansfield more than six months per year.
- Utilizes HUD criteria for “extremely low” and “very low” income in Mansfield to determine eligibility. This criteria takes into account income and household size.
- Eliminates the automatic eligibility qualification for individuals who are Medicaid eligible, since there are reasons other than income based that a person can qualify for Medicaid.
- Changed the 90% Fee Waiver level to a 75% Fee Waiver level.
- Implemented an annual cap per eligible household based on household size. Annual caps are established by Council resolution and adjusted as needed.
- The Program can be suspended once the budgeted allocation has been exhausted. This prevents a program deficit from occurring.
- Strengthened the review of applications by requiring supporting documentation such as tax returns and W-2's to verify income and household size.
- Clarified that changes in income and household size that make participants ineligible will result in a change in status for the current program year.
- Clarified confidentiality of documents based on both FOI and records retention statutes.
- Modified municipal services for which the Fee Waiver is applicable.

The Fee Waiver Program offers certain municipal services (Parks and Recreation programming, refuse collection and disposal, Senior Center programing, and ambulance

services²) at a reduced cost for eligible participating households in Mansfield. The Fee Waiver Program is financed through the General Fund of the Town of Mansfield.

II. METHODOLOGY

A review of both quantitative and qualitative data occurred. For quantitative data the following was reviewed:

- Fee Waiver Program financials from the General Ledger and Parks and Recreation software database;
- Fee Waiver Program aggregate participation data (number of households, number of household members, Fee Waiver levels) from centralized tracking database;
- Fee Waiver Program participant data for summer camp and before/after school care program from Parks and Recreation software database;
- Fee Waiver Program maximum cap data from Parks and Recreation software database.

Informal interviews and anecdotal testimony was provided by both staff involved with the Program and some Program participants (current and former). It should be noted that extensive qualitative data gathering such as focus groups, a non-scientific survey, or formal 1-on-1 interviews did not occur. In order to engage in this sort of effort, extensive resources (staff time) would be required. If the Council determines it wants that level of qualitative data gathering, a discussion as to how that might best be accomplished will need to occur (i.e. intern time, consultant).

A review of the administrative (FY 13/14) and ordinance changes (FY 14/15) was also completed.

III. FINDINGS

Following an initial assessment and review of the Fee Waiver Program during summer 2013, staff in the Town Manager's Office and Parks and Recreation made the following administrative changes and improvements to the Program to ensure consistency with provisions of the Ordinance, to control escalating costs, and to improve the application process:

- New application form and packet were issued.
 - Revised application more accurately captures various sources of income (i.e. pension, rental income, alimony), not just wages.
- Created one central point of intake for applications, which is currently the Administrative Services Specialist in Parks and Recreation.
- Improved accessibility to application form and packet (increased physical locations, stronger web presence, Mansfield Minute, etc.)
- Improved recordkeeping to meet public records retention requirements.
- Created central database of approved applicants which includes all eligible household members.
 - Restricted number of staff members have access to this database so they can verify fee waiver eligibility, eligible household members, and track fee waiver use by household.

² For a detailed listing of eligible services please reference Section 122-10 of the Fee Waiver Ordinance.

- Eliminated the fee waiver “paper certificate” system for taking trash to the Transfer Station.
- In addition to standard curbside collection, limited use of fee waiver for trash collection as follows:
 - No more than four extra curbside trash bags per week.
 - No more than four Transfer Station trash bags per week.
 - Bulk waste fees may only be waived when a legitimate public health or hoarding situation has been deemed to exist.
- Transfer Station now has the ability to track the value of fee waivers going through the Transfer Station through cash register receipts.
- Collector’s Office now tracks and reports (on a quarterly basis) the value of fee waivers issued for residential trash pick-up.
- Residents can only use their fee waiver for trash service at their primary residence. They can’t use fee waivers for trash service at properties they own but do not live in (i.e. rental properties).
- Security deposit for trash service is no longer waived at 100%.
- A 100% fee waiver for trash service for “disabled” residents was discontinued.

Following implementation of the administrative changes during program year 13/14, a reduction in direct Fee Waiver Program expenses of \$36,079 occurred for Parks and Recreation programming. The Parks and Recreation Fund was reimbursed \$134,646 by the General Fund for fee waivers for program year 13/14. They were reimbursed for direct costs associated with programming only, and not staff time spent administering the Fee Waiver Program.

Regrettably, prior to FY 13/14 fee waivers for the Solid Waste Fund and the Senior Center Program Fund were not tracked. However, through anecdotal evidence provided through staff interviews, the amount of fee waivers issued at the Transfer Station decreased dramatically with the elimination of the “paper certificate” system and other implemented administrative and Ordinance changes. While the true cost of Solid Waste fee waivers prior to FY 13/14 is unknown, prior to the administrative program changes implemented in FY 13/14, Solid Waste fee waivers were likely in excess of \$17,647 annually. For FY 13/14 Solid Waste fee waivers (curbside collection and Transfer Station fees) were estimated at \$17,647. With implementation of the Ordinance changes, Solid Waste fee waivers reduced by \$10,803, or decreased by 61.2%, to \$6,844 for FY 14/15. Senior Center Program Fund fee waivers were minimal in both years, estimated at \$593 and \$219 respectively. Since fee waivers for the Solid Waste Fund and Senior Center Program Fund were not being tracked prior to FY 13/14, they were not being budgeted. As a result, reimbursements to the Solid Waste Fund and Senior Center Program Fund did not begin until FY 14/15.

Fee Waivers – A Three Year Summary			
	FY 2012/2013	FY 2013/2014	FY 2014/2015
Parks and Recreation Fund	\$170,725	\$134,646	\$64,197
Solid Waste Fund	Unknown	\$17,647	\$6,844
Senior Center Program Fund	<u>Unknown</u>	<u>\$593</u>	<u>\$219</u>
TOTAL	\$170,725+	\$152,866	\$71,260
<i>Note: Costs are for fee waivers only and does not include staff time to administer the program.</i>			

Prior to FY 13/14 a centralized tracking database for the Fee Waiver Program did not exist. However, for years 13/14 and 14/15 very good data exists on number of participating households, number of participating members, and the spending trends of those members. Prior to FY 13/14 Parks and Recreation, through their RecTrac software had some data available on Parks and Recreation Fee Waiver Program participants.

Following the implementation of the approved Ordinance changes in April 2014, the following can be reported for Program Year 2014/2015. FY 14/15 saw the lowest amount spent on the Fee Waiver Program in over a decade; implemented changes clearly had an effect on Program spending and participation. The Ordinance changes implemented in FY 14/15 resulted in a reduction of \$70,449 in Fee Waiver spending.

Fee Waiver Participation at a Glance: FY 13/14 v. FY 14/15			
	FY 13/14	FY 14/15	% Increase/Decrease
Total # of households approved	219	155	-29.2%
Total # of approved household members	700	451	-35.6%
Total # approved for 90% Fee Waiver	191	--	--
Total # approved for a 75% Fee Waiver	--	96	--
Total # approved for a 50% Fee Waiver	28	59	25.2%
Total # of households that reached maximum cap	--	20	--
% of participating households reaching maximum cap	--	12.9%	--

Overall households participating in the Program decreased by approximately 30% in FY 14/15. Through staff observation and assessment, a number of factors are believed to have contributed to the decrease in the number of approved households. One believed factor is the elimination of the automatic Program eligibility for Medicaid participants. Not all Medicaid participants qualify on the basis of income, and there may have been higher wage earners disqualified from the Fee Waiver Program under the new regulations. Another believed factor is the more thorough screening process, which includes providing proof of all sources of income – not just wages. It is believed that when all sources of income are combined, some former Program participants no longer qualify for the Program and do not meet the definition of an “extremely low” or “very low” income person in Mansfield.

Due to the more thorough screening process, the number of applicants approved for the second 50% tier increased significantly over the previous year, from 12.9% of approved

households to 38.1% of approved households. Staff also believes that using HUD's definition of an "extremely low" or "very low" income person in Mansfield as opposed to the income guidelines for the school reduced and free lunch program impacted this statistic. Implementation of the HUD income definitions expanded eligibility for the Program at the 50% Fee Waiver level for households with 1-3 members. Some residents who were previously not eligible now qualify for the Program as a result.

Another significant change to the Program was modifying the 90% Fee Waiver level to 75%. Participants that meet the 75% Fee Waiver level are required to pay 25% of the program/service fee, or 25 cents on every 1 dollar.

One significant implemented change in 14/15 was the household cap. The maximum cap limits the amount of Fee Waiver dollars any one household can receive. The cap is based on household size. Prior to implementation of the maximum cap, there was a concern that some outlier households were disproportionately receiving a benefit not available to the general taxpayers and thus raising equity concerns. Only 12.9% of participating households reached the annual cap in 14/15. In comparison, based on available FY 12/13 Parks and Recreation data, 24.1% of households would have exceeded the cap had it been in place at the time. This is an estimated 50% reduction in the number of households that reached the cap. Limited qualitative evidence suggests that implementation of the cap did not prohibit individuals with exigent circumstances from being able to access municipal services in most instances; quantitative data does suggest however that participants were required to make choices about which programs they participated in. Through other programs, such as the Recreation Scholarship Fund, the Campership Fund, and the Human Services Special Needs Fund, staff was able to provide additional assistance to many residents with exigent circumstances.

Staff has reported that the two programs that saw a reduction in Fee Waiver participation due to implementation of the household cap were Summer Camp and the Before and After School Care Program. Upon implementation of the household cap, Summer Camp (not including specialty camps) saw a reduction in fee waivers of \$19,174 or a decrease of 60%. Interestingly, when the Ordinance changes were made, the cap on four summer camp sessions per year per child were removed. The decrease in Summer Camp fee waiver utilization, despite the per child cap being removed, indicates that implementation of the fee waiver household cap did cause participants to make choices about the services most needed by their household.

The Town Parks and Recreation Department took over management of the Before and After School Care Programs at Southeast and Vinton Elementary Schools in August 2012 following the dissolution of a non-profit organization that had run those on-site programs for many years. Prior to FY 12/13, the Department only managed a small before and after school care program on-site at the Mansfield Community Center. Therefore, prior to August 2012 the programs at Vinton and Southeast were not Fee Waiver eligible. Part of the dramatic increase in utilized fee waivers during FY 12/13 was due to the Town taking over management of the Southeast and Vinton Elementary Schools Before and After School Care Programs. In FY 12/13, \$23,273 in fee waivers were granted for the Before and After School Care Programs; this was a **new unbudgeted** cost to the Fee Waiver Program as prior to FY 12/13 no before and after school care program fee waivers were granted. The Fee Waiver Program was \$48,705 over budget in FY 12/13, and the Before and After School Program contributed to 47.8% of the Fee Waiver Program budget overrun.

Dollar Value of Fee Waivers Granted for Before and After School Care Programs			
Fiscal Year	Fee Waivers Granted	\$ Increase/Decrease	% Increase/Decrease
FY 11/12	\$0	--	--
FY 12/13	\$23,273	\$23,273	--
FY 13/14	\$25,974	\$2,701	11.6%
FY 14/15	\$11,806	-\$14,168	-60.9%

Lastly, the Council redefined its purpose of the Fee Waiver Program. Council redefined the purpose of the Fee Waiver Program to provide access to municipal services for residents of all ages with very low and extremely low incomes. When initially conceived in the 1990's the Fee Waiver Program was intended to assist low income children in gaining access to and participating in Parks and Recreation programming such as summer camp and swim lessons. In reality, residents of all ages benefited from and participated in the Fee Waiver Program as amendments to the Ordinance were adopted over the years. The current purpose of the Program more accurately reflects the Program participants – Mansfield residents of all ages – and the breadth of municipal services being accessed through reduced user fees.

III. KEY ISSUES

KEY ISSUE 1: STAFF CAPACITY TO PROVIDE ADMINISTRATION OF THE FEE WAIVER PROGRAM

The Parks and Recreation Administrative Services Specialist spends approximately 15-18 hours per week on Fee Waiver administration during the renewal season months of June and July. For the remainder ten months of the year, the Administrative Services Specialist typically spends 5 hours per week on Fee Waiver administration. Typical administrative tasks include: processing, screening, and approving/denying fee waiver applications; authorizing fee waivers; maintaining the centralized database on approved fee waiver program participants; tracking program expenditures and household caps; and providing assistance and guidance to program applicants and participants. The cost for the Administrative Services Specialist to administer the Fee Waiver Program is \$16,237-\$17,490 this fiscal year, inclusive of all benefits related costs. Currently the administrative expenses related to administering the Program have been absorbed by the Parks and Recreation Fund. Although the Administrative Services Specialist position has always been funded by the General Fund, the tasks associated with administering the fee waiver program take away time from other activities. Consequently the department has had to increase its cost for part-time personnel with no added contribution from the General Fund for this responsibility.

The day-to-day management of the Fee Waiver Program was transferred from Human Services to Parks and Recreation during a staffing transition in summer 2013. As currently structured, Human Services does not have the resources or the capacity to absorb administration of the Fee Waiver Program. One of the potential benefits of having Human Services staff administer the Program includes centralized screening for all or most eligibility based programs for the Town such as the Fee Waiver Program, holiday programs, and campership program. A centralized point of intake for applicants for all eligibility based

programs could reduce redundancy in program screening, improve customer service, and free up valuable time of higher paid social workers.

Staff has analyzed no fewer than five options for providing administration of the Fee Waiver Program. However, most options would require an additional General Fund contribution to support administration of the Program. Ultimately, staff may need to seek additional General Fund resources from the Council in order to properly manage the Program.

KEY ISSUE 2: CONSIDERATION OF CREATING A 25% FEE WAIVER LEVEL FOR LOW INCOME RESIDENTS

The Town Council and ad hoc Committee on the Fee Waiver Ordinance contemplated creating a third Fee Waiver level at 25%. The 25% level would be for residents meeting HUD's definition of "low income." Often times these residents do not qualify for aid based programs, but do not have discretionary income available to be able to participate in recreation programs. If significant Program savings were achieved, the Council wanted to revisit the issue of creating the 25% Fee Waiver level. Since Program expenditures have been reduced in half, Council may want to revisit the policy conversation regarding creation of the 25% Fee Waiver level for residents meeting HUD's definition of low income in Mansfield.

KEY ISSUE 3: IMPACT OF REDUCTION IN FEE WAIVER PROGRAM SPENDING ON PARKS AND RECREATION FUND

The administrative changes in FY 13/14 resulted in a loss in Fee Waiver revenue to the Parks and Recreation Fund of \$36,079. The Ordinance changes implemented in FY 14/15 resulted in a loss of an additional \$70,449 in revenue to the Parks and Recreation Fund. In two years, this has resulted in a total loss of \$106,528 in revenue for the Parks and Recreation Fund. This loss in revenue is having a negative impact on the Fund's ability to remain in a non-deficit position. Due to the projected operating budget deficit for Parks and Recreation for 15/16, operational and service reductions and/or changes will need to be discussed, reviewed, and implemented in order for the Fund to remain financially healthy.

VI. NEXT STEPS

DETERMINE LONG TERM HOME BASE FOR FEE WAIVER PROGRAM ADMINISTRATION/ALLOCATION OF RESOURCES

Management needs to make an assessment as to the best "home base" for administration of the Fee Waiver Program. It is important to dedicate resources to properly manage this Program. With proper management of this Program, expenses have been reduced by \$106,528 in two years. To administer this Program, various reviewed options range in cost from \$5,794 to \$29,132, still resulting in a savings of \$77,396 - \$100,734 from the peak of Fee Waiver spending in FY 12/13, prior to any administrative or Ordinance changes being made to the Program.

COUNCIL POLICY CONVERSATION ON 25% FEE WAIVER LEVEL FOR LOW INCOME RESIDENTS

Due to the significant savings achieved, Council should be encouraged to revisit their policy conversation as to whether or not they want to implement a 25% Fee Waiver Level for those Mansfield residents meeting HUD's definition of "low income." The ad hoc Committee on Fee Waivers could be reconvened to look at this issue more closely, ultimately making a

recommendation to the Council as a whole by March 2016. Should the Council as a whole support implementation of a 25% Fee Waiver level for low income residents, an amendment to the Ordinance would need to occur. In order for the 25% Fee Waiver Level to be in effect for FY 16/17, the Council would need to amend the Ordinance by the end of April 2016. This timeframe would enable staff to properly notify (possible) Program participants and update forms and marketing materials for the “renewal season.”

COUNCIL POLICY CONVERSATION ON COST RECOVERY POLICY FOR PARKS AND RECREATION

Lastly, the savings achieved in the Fee Waiver Program have resulted in a total loss of \$106,528 in revenue for the Parks and Recreation Fund over the last two years, impacting the financial health of the Fund. At this time, the General Fund only supports 19.9%³ of the total Parks and Recreation Department budget; comparative to many other communities, this is quite low and the Department’s cost recovery percentage through user fees is quite high. The Council should be encouraged to have a policy conversation regarding “Cost Recovery” for Parks and Recreation programs more generally. The following could be considered:

- Should there be a greater General Fund Contribution to support the Parks and Recreation Department as a whole? If so, what is the percentage of the Department’s total budget that should be paid for by the General Fund? Ultimately, this is a value based decision that should be made by the policy body, the Town Council.
- Should there be a greater General Fund Contribution to support youth, senior, and/or adult programming, or some combination thereof? If so, what should the cost recovery percentage be for those areas of programming? Does the Council place a greater cost recovery burden on adult programming, compared to programming for youth and seniors? Ultimately, this is a value based decision that should be made by the policy body, the Town Council.
- Should the Council be more supportive of funding youth programming in Mansfield, thus keeping fees down and providing access to a greater number of children? Should the Council, through the General Fund, pay for the salary and benefits of the Recreation Coordinator position that administers youth programming such as summer camp, the Teen Center, and youth sports programs such as basketball? Ultimately, this is a value based decision that should be made by the policy body, the Town Council.

Government Finance Officers Association (GFOA) has sample cost recovery policies available for review. Staff will be working on gathering and analyzing internal and external data, as well as sample policies, in order to aid Council in this conversation. The concept of establishing cost recovery guidelines and the General Fund contribution to Parks and Recreation was broached by staff to the Council in its report dated August 27, 2007 and entitled *Building a Sustainable Budget for the Mansfield Community Center, Recreation Fund, and Parks and Recreation Department*. At that time, however, the Council did not have a policy conversation or further pursue the concept of appropriate cost recovery levels for Parks and Recreation programming.

³ As of 6/30/15 total General Fund revenue to the Parks and Recreation Fund was \$455,430 and the total expenditures were \$2,294,734.